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NATIONAL INTELLIGENCE DAILY CABLE

Thursday July 8, 1976

CI NIDC 76-159C

State Dept. review completed

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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Approved For Release 2007/03/07 : CIA-RDP79T00975A029100010012-5

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SOUTH AFRICA

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[] South Africa's announcement that it will no longer compel the use of Afrikaans as a medium of instruction for black students is a relatively minor exception to the government's strategy of blaming last month's riots on subversives and of suppressing a broader range of "agitators" than ever before.

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[] The Ministry of Bantu Administration has long required that schools in the urban black townships use English and Afrikaans equally as languages of instruction in the upper elementary and secondary grades. Black students, teachers, and parents have resented the use of Afrikaans because they regard it as a symbol of white domination and because English has more practical value as the lingua franca of the urban areas.

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[] The revised regulations, announced early this week, permit the principal of each school for blacks to opt for English as the sole medium of instruction, although schools that adopt this option must continue some mandatory courses in the study of Afrikaans.

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[] The school principals--most of whom are black--will presumably be more responsive to prevailing attitudes in the black townships than the Ministry of Bantu Administration, which paid no heed to a student strike in Soweto that had been going on for several weeks before the outbreak of rioting there.

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[] According to the minister of Bantu administration, the revised language requirements were worked out last week in consultation with community leaders in Soweto, where the worst rioting occurred.

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[] The basic attitude of top government officials, however, is reflected in a statement last week by the minister of justice who said he had rejected an application by the Black Parents Association to hold a mass funeral for Soweto students killed in the rioting because "well-known political agitators are actively concerned with this organization and involved in the planning of the mass burial."

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[] According to a government statement a week after the riots, 1,298 persons were under arrest for suspected involvement in the rioting.

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[] It has not been disclosed how many of these have been charged with criminal offenses, released after questioning, or are still being held under security legislation authorizing indefinite detention without charge or trial of anyone suspected of subversive action or intent.

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[] Among the black detainees are an executive of the Black People's Convention; the administrative secretary of a commission for social communication, sponsored by the Roman Catholic Bishops' Conference; and a poet and sculptor who has been non-political.

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[] The authorities are clearly trying to intimidate any blacks who have gained some prominence outside the very limited range of officially sponsored positions in the tribal homelands or the urban black townships. []

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OAU: Summit Results

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[] African leaders attending the 13th annual summit of the Organization of African Unity, which ended Tuesday, found little common ground during their four-day meeting in Mauritius.

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[] Tough rhetoric was adopted on South Africa and Rhodesia, but the meeting largely sidestepped the major territorial disputes involving member-states. Only nine of the OAU's 48 heads of state showed up--the fewest in the organization's history.

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- 25X1 [] In addition to condemning South Africa for its handling of last month's student riots, the summit called for increased support to Namibian insurgents, extension of the guerrilla struggle to South Africa itself, and a more effective economic boycott of Pretoria. The leaders also urged that Transkei not be given diplomatic recognition when it becomes the first of South Africa's black homelands to be declared independent later this year.
- 25X1 [] The summit made no headway in reconciling Rhodesia's badly factionalized nationalists. In an effort to assert greater leverage, the conferees reiterated the demand of an earlier conference that all aid for the insurgents be channeled through the OAU liberation committee based in Tanzania.
- 25X1 [] Although the Israeli rescue operation in Uganda shook the conferees by again exposing Africa's weakness, they apparently did not formally affirm support for the Arab-promoted UN resolution equating Zionism with racism, nor did they call for Israel's ouster from the UN.
- 25X1 [] The summit did endorse a Liberian resolution condemning Israel's "aggression"--portrayed as the result of Israeli - South African collaboration--and calling on the UN Security Council to take measures against Israel and on African states to intensify their efforts to isolate Tel Aviv.
- 25X1 [] The US was condemned for vetoing Angola's admission to the UN. Some delegates spoke openly of US collaboration with Pretoria, referring to Secretary Kissinger's recent meeting with South African Prime Minister Vorster. In private discussions with US observers, most delegates were more curious about possible results from the talks than critical of the talks taking place.
- 25X1 [] The summit narrowly avoided a split over the controversial issue of Western Sahara by agreeing that the matter should be taken up by an extraordinary OAU summit to be arranged sometime before the end of the year.
- 25X1 [] The present OAU stand is that recognition of the "republic" declared by the Algerian-backed Polisario Front last March in defiance of the agreement last November under which

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Spain yielded control of the territory to Morocco and Mauritania, is a matter for African states to decide individually. So far, nine OAU members have recognized the provisional Polisario government.

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[] On the French Territory of the Afars and Issas--over which Ethiopia and Somalia are at loggerheads--the summit skirted the key question of territorial guarantees for the future state.

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[] The group simply called on all states, including Ethiopia and Somalia, to refrain from interfering in FTAI internal affairs and to abstain from any action likely to impede progress toward independence. Further consideration was postponed to an OAU-sponsored roundtable conference of all the territory's factions and liberation groups, which probably will be held in Ghana next month. []

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SPAIN

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[] The appointment of committed reformists to two key posts in the Spanish cabinet announced last night by Prime Minister Adolfo Suarez supports the Prime Minister's promise to press ahead with the liberalization program. The failure to include oppositionists in the cabinet, however, indicates that Suarez has not yet won the cooperation from the center left that the government hopes to have in pushing through its reforms.

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[] The new foreign minister is Marcelino Oreja, a young Christian Democrat with firm democratic credentials who has moved up from the post of under-secretary of foreign affairs. Oreja shares former foreign minister Areilza's keen support for Spanish entry into the EC. Although he lacks Areilza's international stature, he is intelligent and articulate and an acknowledged expert on law of the sea matters.

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[] The new interior minister is Rodolfo Martin Villa, who was moved from the Syndical Ministry, where he had laid plans for an extensive shakeup of the monolithic trade union system. He is generally regarded as one of the most liberal

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[redacted]

young politicians to emerge from the Franco regime. Martin Villa had some experience in internal security matters during his successful tenure as governor of Barcelona, where he established a reputation for enlightened administration prior to joining the government last December.

25X1 [redacted] Most of the ten newcomers to the 20-man cabinet are political moderates or technocrats and several have a strong background in finance--indicating the government's concern over soaring inflation and other serious economic problems.

25X1 [redacted] Notably absent from Suarez' cabinet are any representatives of the far right or publicly identified members of Opus Dei--the secret lay Catholic society--although at least two of the holdover ministers are reportedly linked to that organization.

25X1 [redacted] Three of the newcomers are members of the center-right Spanish Democratic Union, a Christian Democratic party led by Federico Silva Munoz, but Suarez failed in his bid to woo opposition Christian and Social Democrats into his cabinet; apparently he could not convince them that his program would go far enough. Many leftist parties, however, including the Christian Democratic factions led by Ruiz Gimenez and Gil Robles and the Socialist Workers Party, have indicated a willingness to open a dialogue with the new government.

25X1 [redacted] The new cabinet will be sworn in today, according to press reports. [redacted]

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VIETNAM

25X1 [] The announcement last week of formal Vietnamese reunification was accompanied by further signs of overwhelming political dominance by the North.

25X1 [] The new national assembly, which has just concluded its first session in Hanoi, the capital of the new Socialist Republic of Vietnam, elected to the top governmental positions three northern Vietnamese who held identical posts in the former Hanoi administration. They are Pham Van Dong as premier, Ton Duc Thang as president of the new state, and Truong Chinh as chairman of the standing committee of the national assembly.

25X1 [] Statements shortly after the fall of Saigon by southern leaders of the former Provisional Revolutionary Government and National Liberation Front suggested that they hoped to play leading political roles, initially in a separate southern government. Hanoi gave short shrift to such expectations, however, by quickly abandoning plans for an interim southern administration and by maintaining tight and visible control of the reunification process.

25X1 [] In the new government, former front president Nguyen Huu Tho was only given one of two largely honorific posts of vice president. Former provisional government President Nguyen Tan Phat becomes one of several vice premiers. Former provisional government foreign minister Madame Nguyen Thi Binh is the new minister of education.

25X1 [] Party first secretary Le Duan delivered the keynote address to the new assembly. It dealt mainly with the domestic problems of economic development and integration of north and south. He put special emphasis on the need for large-scale industrialization and the adoption of modern technology.

25X1 [] All speakers indicated the government's determination to convert the south into an economic system compatible with the north, although the problems of integrating two substantially different economic zones were acknowledged.

25X1 [] Hanoi's victory was cited as advancing the cause of communist revolution everywhere, but the now common themes of cooperation with fraternal socialist countries, special ties with Laos and Cambodia, and a readiness to develop friendly relations with the other nations of Southeast Asia were also duly reiterated. []

PERU

25X1 [] //The Peruvian military government's assurances that Lima has returned to normal after last week's disturbances are belied by official efforts to stop rumors of unrest, the presence of military units in the streets, and panic food buying.//

25X1 [] Bus and truck drivers have called off their week-old strike, and this should ease tension somewhat. The state of emergency and the curfew, however, are likely to continue for some time. Schools will remain closed until next Monday.

25X1 [] //Fearing more violence because of its severe austerity measures, the government is making numerous preventive arrests and has shut down a dozen right- and left-wing political journals. Government leaders reportedly are divided over the controversial decision to close the journals as well as over several features of the new economic program.//

25X1 [] //Labor and social organizations, including some controlled by the government, have begun to charge that the US government is behind Peru's current problems. Encouraged perhaps by radical leftist military leaders, this theme may be heard even more in the coming days as Peruvians try to come to grips with political uncertainties and a worsening economic situation.//

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ARGENTINA

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[] Argentina's military government has checked the country's runaway inflation, but at the expense of deepening the economic recession.

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[] More than 60,000 government employees have been fired as part of the government plan to reduce the budget deficit by 75 percent in 1976. The monthly inflation rate dropped from 38 percent in March to under 3 percent in June, chiefly as a result of restraints on wages and cuts in government spending.

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[] Real wages, which peaked a year ago, are now at their lowest point in over a decade. With 1960 as the base year at 100, real wages last month dropped to 63, compared with 210 for June 1975. Economy Minister Martinez de Hoz has permitted only one 15-percent wage hike since the junta came to power, while prices nearly doubled before inflation was checked.

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[] The government will now try to expand purchasing power cautiously since businessmen are complaining of declining demand. In particular, the regime will attempt to stimulate foreign and domestic investment.

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[] As production begins to revive, the inflation rate is likely to rise again. The junta's first concern will be to see that inflation does not again get out of hand. []

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MEXICO

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[] Mexican president-elect Jose Lopez Portillo, in a major speech before his election on Sunday, called on Mexicans to unite in an "alliance for production" to increase productivity and reorient output from consumer to capital goods.

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[] Lopez Portillo urged that economic growth be accelerated, that the lot of the large and growing number of poor be improved, and that the government deficit be cut. Although the goals are populist and have led some observers to believe he will follow President Echeverria's free-spending policies, he has on other occasions given emphasis to the private sector and to the solicitation of the advice of business leaders.

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[] Over the long run, his programs for both welfare and for increases in productivity can be achieved only by vigorous development of Mexico's vast oil reserves.

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[] Since the last devaluation of the peso, in 1954, Mexico has earned a reputation for financial stability and sustained economic growth. In 1972, however, the Echeverria government initiated an expansionary monetary and fiscal policy aimed at relief for Mexico's poor and at widening the role of the public sector.

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[] The government's actions included substantial raises in money wages, bigger welfare outlays, and a jump in government payrolls. As a result of these policies and the impact on Mexico of the global recession, Lopez Portillo will inherit an economy afflicted by:

--An enormous increase in federal spending and in the federal government's deficit.

--Rapid inflation.

--Stagnating private investment.

--Slowing economic growth.

--A large current-account deficit.

--Greatly increased foreign indebtedness.

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[] The goals set by Lopez Portillo run the gamut from costly populist welfare programs to incentives for the private business sector. His administration will confront a narrow range of options in pursuing these ambitious goals, since it will face the immediate problem of regaining financial stability. The critical element of economic policy will be restoration of private-sector confidence and investment spending.

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[] A turn-around in private investment--which has declined under Echeverria's policies--will depend on a more favorable business climate and adequate long-term credit for the private sector. To minimize inflationary pressure, this credit policy must be accompanied by increased private saving and reduced government borrowing.

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[] We expect Lopez Portillo to increase credit to the private sector but not to woo the business community by reducing taxes and the state's role in the economy.

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[] Another major requirement will be to reduce the large public-sector deficit. Lopez Portillo will probably pursue tax reform and improvement in administration to prevent tax evasion in order to increase government revenues. Revenues will also increase as oil production rises.

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[] //More decisive restraint on government spending and an increase in labor productivity are necessary to hold the line on waste and on the share of operating expenditures in the budget.

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[] //The new administration will be confronted by a large external debt. Although debt service is still manageable, the government will have to shrink its current-account deficit to assure continued creditworthiness.//

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[] //The prospects for Mexican exports are exceptionally bright. Even if imports rise fast enough to allow for an 8- to 9-percent real increase in economic growth in the next few years, Mexico will be able to reduce drastically its current-account deficit by rapid development of its petroleum reserves.//

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[] //An expansionary oil policy is essential to carrying out in full Lopez Portillo's economic programs. He apparently favors a quick expansion of Mexican oil exports. In contrast, a vocal segment of the Mexican leadership feels strongly that oil resources should be husbanded.// []

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